The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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Petroleum Conservation Continues . . .

Despite a slight increase in total sales of retail stores in March, sales at gasoline stations declined by 0.6 per cent from the previous month to $8.5 billion, standing only 0.6 per cent above year-ago levels. What is more, when the sharp increase in gasoline prices over the past year is factored out, the decline in "real" sales is a steep 14 per cent from a year ago. This decline continues a two-year trend in energy conservation as consumers and industry alike have slashed consumption drastically. Demand for petroleum declined by eight per cent in 1980, following a 1.8 per cent drop during 1979.

The cutback in petroleum use has been the result of several factors. To some degree, last year's recession dampened demand. However, increased conservation efforts in response to price rises have contributed most significantly, as consumers demonstrated an ever-increasing sensitivity to price. Finally, there has been considerable application and use of such alternate energy sources and fuels as coal, natural gas and wood. For example, last year, less than 45 per cent of all energy consumed domestically was derived from petroleum, while in 1978 it accounted for nearly 50 per cent. In contrast, the use of coal rose from 17.7 per cent of the total in 1978 to just under 21 per cent in 1980. During this two-year period, the use of such nontraditional fuels as geothermal power and electricity produced from wood and waste—although still negligible—has doubled.

. . . Causing Oil Inventories To Soar

More than three-quarters of the two-year decline in petroleum consumption has been a result of lower gasoline and home heating oil demand. Motorists reduced their consumption of gasoline by 11 per cent during this time, while homeowners cut their heating fuel deliveries by 16.5 per cent. Similarly, industrial use of refined petroleum products such as residual fuel oil used for the production of electric power, space heating and various other industrial purposes, has been reduced substantially.

As a result, stocks of crude oil and refined products have surged. At the current rate of consumption, gasoline inventories represent 45 days of supply—about two weeks above normal levels. The oil companies have been forced to slash production, and some less efficient refineries have been mothballed—thus cutting operating capacity to the lowest rate in almost 50 years. Importantly, the United States now imports 1.8 million fewer barrels per day than just two years ago. However, imports may not be cut much further at this time, since long-term supply contracts would appear to hamper the ability of the oil companies to alter import quantities.

Passenger Car Efficiency Improves

Serious conservation efforts began about two years ago when the OPEC nations suddenly doubled the price of crude petroleum and caused temporary supply shortages. Upset by pre-dawn trips to the filling stations and threats of continued rationing and price hikes, motorists turned to smaller, more fuel-efficient cars almost immediately. Domestic auto manufacturers were caught completely unprepared as production was geared toward the large, luxury size cars. Thus, buyers shifted to the import market, sending domestic sales through the floor. Two years ago, compact and subcompact cars represented slightly more than one-third of all domestic cars sold. In 1980 the percentage rose to 50 per cent—and is running at 53.3 per cent currently. When foreign cars are included, the ratio increases further as an even larger portion of imported cars is in the compact or subcompact category.

PASSENGER CAR EFFICIENCY

Year	Average Miles Traveled per Car	÷	Average Number of Gallons Consumed per Car	=	Average Miles Traveled per Gallon of Fuel Consumed
1976	9,763		711		13.73
1977	9,839		706		13.94
1978	10,046		715		14.05
1979	9,485		664		14.28
1980	9,390		638		14.72

Source: Department of Energy
Federal Highway Administration

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Not only have motorists sacrificed the size and comfort of their cars for better mileage, but they have gotten off the road as well. Carpools have been formed, unnecessary trips have been eliminated and many drivers have turned to public transportation. As the table shows, the average distance traveled per car per year has declined from 10,046 miles in 1978 to 9,390 miles in 1980, according to the Federal Highway Administration's estimates. The typical car's consumption of gasoline dropped by 11 per cent during this time period. What is more, the drop in fuel consumption was greater than the average number of miles traveled, indicating an improvement in energy efficiency of more than four per cent during this time.

Gloom in Germany

In contrast with the slightly more optimistic mood among British businessmen about their economy (Financial Digest—April 13, 1981), the feeling among German businessmen and economists is one of unremitting gloom. This dark view of the near-term prospects for the German economy, in spite of a few scattered signs of improvement— for example, export orders in January were up six per cent over December—is widespread. Last week, the five major economic research institutes in Germany issued a joint report which was unanimous in confirming the existence of a recession, and forecasted its continuance through at least the middle of 1981—if not through the entire year. Further, one of the insti-

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 4/8/81	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	127.118	– .181	+ .549
Loans to Depository Inst.	.887	– .577	– 1.499
Float	2.850	+ .349	– 1.231
Total Reserve Bank Credit	140.957	– .749	+ 3.004
Treasury Deposits with Federal Reserve Banks	2.863	– .024	+ .605
Currency Outside Banks	120.846	+ .669	+ 8.133
Member Bank Reserves:			
Required	38.837	– .805	– 5.295
Excess (Deficiency)	.055	– .560	– .103
Total Reserves Held	38.892	– 1.365	– 5.398
Net Borrowed Reserves	.670	+ .041	– 1.363
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	100.038	– .682	+24.855

Monetary Aggregates†		% Change Since Three Months Ago*	% Change Since Year Ago
M-1A	365.3	– 19.5‡	– 2.0‡
M-1B	428.7	+ 10.6‡	+ 8.4‡
M-2 (March '81)	1,714.2	+ 10.1	+ 10.3
L (January '81)	2,393.3	+ 13.4	+ 10.5

†Seasonally adjusted. * Seasonally adjusted annual rate. ‡Four-week moving average.

New York Money Market

Offering Rates 4/17/81	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	13.60%	13.45%	12.80%
* Federal Agencies	14.60	14.40	14.11
* Project Notes–Taxfree (46% Taxable Equivalent)	11.57	11.57	13.24
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	15.00	15.00	

‡Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 29 days	14.50%	May	14.95%
30- 89 days	14.25	Jun.	14.90
90-119 days	14.00	Jul.	14.85
120-179 days	12.00	Aug.	14.80
180-270 days	11.50	Sep.	14.70
		Oct.	14.60

‡Industrial Paper–Prime		†Federal Funds	
30- 89 days	14.75%	Effective Rate	15.04%
90-120 days	14.75		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period	Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'80 $ 2,731	$ 2,637	$ 2,496
Gross National Product (1972 Dollars)*	4th Q'80 $ 1,486	$ 1,472	$ 1,491
Percent Change, Annual Rate	4th Q'80 3.8%	2.4%	0.6%
Change in Consumer Prices (all urban consumers)*	Feb '81 12.0%	8.4%	15.6%
Change in Producer Prices*	Mar '81 15.6%	9.6%	13.2%
Civilian Employment (Thousands of Persons)†	Mar '81 98,412	97,927	97,628
Unemployment as % of Civilian Labor Force†	Mar '81 7.3%	7.3%	6.3%
Personal Income*	Mar '81n $ 2,335	$ 2,317	$ 2,101
Leading Indicators Composite Index (1967=100)†	Feb '81 136.3	136.7	134.1
Industrial Production Index (1967=100)†	Mar '81n 151.7	151.1	152.1
Net Change in Consumer Installment Credit†	Feb '81 $ 2.00	$ 0.87	$ 2.40
U.S. Merchandise Trade Balance†	Feb '81 –$ 2.16	–$ 4.37	–$ 4.79
Plant and Equipment Expenditures*	2nd Q'81 $317.29(a)	$310.59(a)	$294.36
Private Housing Starts (Thousands of Units)*	Mar '81n 1,284	1,214	1,040
New Construction Expenditures*	Feb '81 $ 252.5	$ 261.9	$ 248.8
Total Business Inventories†	Feb '81n $ 470.0	$ 465.1	$ 435.2
Total Business Sales†	Feb '81n $ 345.2	$ 345.6	$ 310.2

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

tutes reported that its business climate survey dropped 2.4 points between December and January, confirming the continuing deterioration in the manufacturing sector.

The German report forecasts a 1.5 per cent decline in real GNP in 1981 after 1.8 per cent growth in 1980. Other negative findings include the prospect for an average of 1.25 million unemployed in 1981 compared with 890,000 in 1980. The rate of inflation, however, is expected to decline to an average of five per cent for this year, ending at an annual rate of four per cent. In 1980, prices rose an average of 5.5 per cent. Finally, industrial capacity utilization has been below 80 per cent since the end of last year.

A reflection of the economic malaise afflicting West Germany is the continuing current account deficit. Although down from 1980's record deficit of $15 billion, this year's deficit will still be in the neighborhood of $12 billion. While the major contributor to these deficits has been energy imports, there has been a sharp rise in imports of finished goods—Japanese automobiles, for example. Many of these are products of which Germany has traditionally been a net exporter.

Some improvement in Germany's export trade is expected in the latter half of 1981, once her trading partners show improved economic performance. Exports should also benefit somewhat from the

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (4/1/81)	111,636	– 976	+18,073
New York City (4/1/81)	27,359	– 529	+ 6,888
Commercial Paper (4/1/81)	133,051	+ 499	+13,626

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/1/81)	172,790	+ 3,106	+ 9,862
New York City (4/1/81)	51,026	+ 1,359	+ 3,021

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/1/81)	429,992	+ 7,593	+22,827
New York City (4/1/81)	103,339	+ 4,770	+10,018

Financial Markets

	Thursday 4/16/81	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	13.70%	– .20	– .47
180-Day Bills†	13.45	– .25	– .36
Longest Bills	12.88	+ .08	– .22
Recent Issues:			
12⅝s 3/31/83	14.09	+ .15	
13⅜s 3/31/85	14.05	+ .02	
13s 11/15/90	13.76	– .49	
12¾s 11/15/10	13.29	– .86	
Municipals:			
Bond Buyer–20 Bond Index*	10.70%	+ .25	+ 2.81
Blue List Total ($ Million)	$ 827	– $ 3	+ $ 424
30-Day Visible Supply ($ Million)	$2,778	+ $167	+ $1,031
Total	$3,605	+ $164	+ $1,455
Corporates:			
Moody's Aa Composite	14.33%	– .04	+ 1.40
Money Mgr.–30-Day Supply ($ Million)	$5,765	+ $733	+ $4,662
Stocks:			
Dow-Jones Averages:			
Industrials	1,005.58	+ 5.31	+ 242.18
Transportation	447.38	+ 1.09	+ 209.21
Utilities	107.16	– .37	+ .56
65 Stocks	393.19	+ 1.22	+ 114.17
Standard and Poor's 500 Stocks	134.70	+ .19	+ 34.15
N.Y.S.E. Composite Index	77.76	– .01	+ 20.55
N.Y.S.E. Avg. Daily Vol. for Week (000's)	51,895	+ 1,113	+ 22,033

* 46% Taxable equivalent 19.81%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 4/17/81	Week Ago
Overnight	15.50%	15.50%
1 month	15.88	15.75
3 month	16.44	15.88
6 month	16.44	15.88
1 year	15.75	15.25
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	14.10%	13.80%
Long Term (7 to 15 yrs.)	14.20	13.90

FOREIGN EXCHANGE SPOT RATES

New York Opening (4/17/81)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02793	35.81
Canada	.8348	1.1979
Denmark	.1455	6.8750
France	.1933	5.1725
Germany	.4572	2.1870
Italy	.0009182	1 089.00
Japan	.004602	217.30
Mexico	.04177	23.94
Netherlands	.4124	2.4250
Switzerland	.5015	1.9940
U.K.	2.1500	.4651

depreciation of the mark against the dollar, although against the currencies of the EMS countries, with whom Germany does much of its trade, the mark has hardly budged. German labor costs continue to be among the highest in the world, and if wages go up much further, they will not only add to unit labor costs, but will also diminish the prospects for increased investment needed to improve productivity. As a result, the industrial relations climate may become more strained than in the past.

The difference between the improved British outlook and the negative German mood might be explained less by objective economic statistics than by where each economy has come from in recent years. After many years of high inflation and large current account deficits, the United Kingdom has seen some improvement, and the possibility for more. In contrast, West Germany, formerly the paragon of economic rectitude, has seen its carefully structured economy deteriorate rapidly in the last two years. H

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